

City and County of Denver, Colorado

TAX GUIDE

Topic No. 73

SPECIAL MOBILE MACHINERY AND EQUIPMENT

Mobile machinery and self-propelled construction equipment means those vehicles, self-propelled or otherwise, which are not designed primarily for the transportation of persons or cargo over the public highways, and those motor vehicles which may have originally been designed for the transportation of persons or cargo but which have been redesigned or modified by the mounting thereon of special equipment or machinery, and which may be only incidentally operated or moved over the public highways. This includes but is not limited to wheeled vehicles commonly used in the construction, maintenance, and repair of roadways, the drilling of wells, and the digging of ditches.

Construction equipment means any equipment, including mobile machinery and self-propelled construction equipment and mobile equipment, which is used to erect, install, alter, demolish, repair remodel, or otherwise make improvements to any real property, building, structure, or infrastructure.

Special mobile machinery (SMM) requires a special State of Colorado issued license plate on which the letters "SMM" appear. If special mobile machinery is attached to a vehicle, such as to the "bed" of a truck, the special mobile machinery is required to be licensed with the SMM plate and the truck itself is licensed in the normal fashion with a vehicle license plate.

Examples of equipment which qualify for the SMM plate include:

Air compressors, generators, welders, asphalt plant units, acoustic mixers, power brooms, towed tankers, tar pots, sweepers, concrete mixers, batchers and pavers, conveyors, crawler shovels, crawler backhoes, crawler cranes, truck cranes, hydraulic cranes, bottom dump and rear dump trailers, motor graders, loaders, straddle carriers, flood lighting units, roller/compactors, forklifts, motor scrapers, bulldozers, tractors, backhoes, trailers (storage, tool or office) and mobile hydraulic hammers/crawlers.

SALES AND USE TAX

New Special Mobile Machinery

All special mobile machinery purchased by a Denver business and stored in the City is subject to sales/use tax at the general rate. This includes special mobile machinery used within Denver by a construction contractor domiciled outside of the City.

Used Special Mobile Machinery

Special mobile machinery which has been used prior to being brought into Denver is subject to use tax at the general rate on the fair market value only at the occasion of its first use in Denver. Credit is allowed for sales

and use taxes previously paid to any municipality within the United States to the extent the tax paid does not exceed the Denver tax liability.

Note: The DRMC provides for a proportional use tax for construction equipment (including special mobile machinery) located within Denver for a period of thirty (30) consecutive days or less, providing the taxpayer has complied with the equipment declaration procedures provided for in Section 53-114(d)(2).

PERSONAL PROPERTY TAX (ALSO KNOW AS SMM AND SME TAX)

Unlicensed Special Mobile Machinery

If equipment qualifying as special mobile machinery will be used at only one location, such as a warehouse forklift, the equipment need not be licensed. In these instances, the special mobile machinery is included in the taxpayer's personal property tax schedule and personal property tax is due.

Licensed Special Mobile Machinery

For licensed special mobile machinery, a "specific ownership tax" is collected upon annual registration of the equipment, in lieu of personal property tax. The special mobile machinery is required to be registered in the county at the business address where the special mobile machinery is primarily operated, maintained, and stored. For registration purposes, business addresses do not include construction job sites.

Rental Special Mobile Machinery

Businesses engaged in renting special mobile machinery are allowed to register the special mobile machinery without paying the specific ownership tax. (The specific ownership tax is sometimes referred to as the "SMM Tax" or "SME Tax.") However, when special mobile machinery is rented, the rental vendor is required to collect SMM Tax or SME Tax at the rate of 2% of the rental charge. The 2% charged is not included in the taxable rental price for sales/use tax purposes.

Note: Special mobile machinery towed on public highways in Colorado is sometimes stopped at "Port of Entry" stations and not allowed to continue until properly registered.

EXAMPLES

1. Cindy's Construction Company brings a used grader into Denver for work on a new parking garage. The grader cost \$30,000 when Cindy's purchased it, but the fair market value when first brought into Denver has depreciated to \$10,000. In addition, a new backhoe is purchased for \$10,000 from a Denver vendor and is delivered to the Denver job site.

Cindy's Construction Company owes Denver use tax on the grader's fair market value of \$10,000 and sales tax at the general rate on the \$10,000 backhoe.

2. Jerry's Construction Company rents a power broom from Randy Rents, a rental equipment vendor located in Denver. The rental charge is \$10,000 per week and Randy Rents registered the power broom without paying the specific ownership tax. Randy Rents should collect sales tax at the general rate on \$10,000 and \$200 specific ownership tax or SMM Tax (\$10,000 x 2%).

REFERENCES

- * DRMC Section 53-54(1). Imposition of tax
- * DRMC Section 53-103(8). Definitions – Construction Equipment
- * DRMC Section 53-103(19). Definitions – Mobile Machinery and Self-Propelled Construction Equipment
- * DRMC Section 53-104(1). Imposition of tax.
- * DRMC Section 53-114. Application to certain construction equipment.
- * Treasury Tax Rule 005 Regarding the Assessment and Collection of Sales and Use Tax on Sales and Use of Tangible Personal Property Acquired By Construction Companies

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT DENVER TAX LAW FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE DRMC AND APPLICABLE RULES AND REGULATIONS.

Revised 01/2021